

**MANAGEMENT REVIEW ELEMENTS
HIGHWAY SAFETY PROGRAM (8/20/10)**

State of: _____

Review Dates: _____

Reviewer(s): _____

A Management Review (MR) assesses the adequacy of a State highway safety agency's organization and staffing, program management, and financial management systems as they relate to its federally funded highway safety program. The review also documents a State highway safety program's best practices and strengths.

Definitions:

Management Review (MR) - A review of a State Highway Safety Office's (SHSO's) systems and programs and operational processes for the purpose of improving and strengthening highway safety practices to ensure efficient administration and effective planning, implementation and evaluation of programs that have potential for saving lives.

Finding - A determination that one or more areas of review is in non-compliance with Federal and/or State laws, regulations, rules, and/or federal written policy and/or guidelines.

Required Action - A specific corrective action based on Federal and/or State laws, regulations, rules, and/or federal written policy and/or guidelines which must be implemented by the State to resolve a non-compliance issue (Finding). The status of the open Required Actions will be documented in the Corrective Action Plan (CAP).

Corrective Action Plan (CAP) - A document developed jointly between NHTSA and the SHSO that identifies actions to address findings set forth in the Management Review Final Report, tasks to complete the actions, target dates for completion of each task, and a status element for indicating progress of each required action based upon periodic reporting by the State.

Management Consideration (MC) - A determination that one or more areas of review may be in need of additional progress or improvement, and if improved, have the potential to enhance the overall efficiency and/or effectiveness of the State's highway safety program.

Recommended Action - Recommended approach based on a management consideration which has the potential to enhance program efficiency and effectiveness. Since recommendations by definition **do not** concern non-compliance issues but rather fall into the good business practice realm, the State would not be obligated to implement the proposed remedy.

Recommended Action Tracking Form (RATF) - A document developed by NHTSA with input from the SHSO that identifies actions to address management considerations set forth in the Management Review Final Report, tasks (by SHSO and NHTSA) to complete the actions, target dates for completion of each task, and status element for indicating progress of each recommended action based upon semi-annual follow-up with the SHSO from NHTSA. The Regional Office will track all recommended actions of the MR Final Report.

Commendation – recognition of strong effort(s), best practices and/or exemplary performance.

High Risk Grantee - A grantee or sub-grantee determined by the awarding agency to 1) have a history of unsatisfactory performance, or 2) be financially unstable, or 3) have a management system which does not meet the management standards set forth in 49CFR §18:12, or 4) not conform to terms and conditions of previous awards, or 5) be otherwise not responsible.

The following elements are to be addressed in each Management Review. Any related Federal law, regulation, rule, policy, or guideline is noted next to or in the text of the item. Also noted is “**Finding**” or “**MC**” indicating the most likely result of a deficiency in the item reviewed. The MR Elements are to be used in conjunction with the Project File Review Checklist. Both documents are to be used in conjunction with the guidance contained in the MR Guidelines as revised May 14, 2009.

*Review items normally accomplished during Preparation Phase

I. ORGANIZATION AND STAFFING

A. * Enabling Legislation and Functions

Identify and obtain a copy of the legislation and/or Executive Order establishing the authority, organization, placement and functions of the SHSO. 23 CFR Part 1251 prescribes the minimum authority and functions of the State Highway Safety Agency. Refer to these criteria for further guidance in performing these review steps. (23 USC, Chapter 4, §402, (b)) **Finding**

B.* Organizational Structure and Placement in Overall State Organization

“...the Governor of the State shall be responsible for the administration of the program through a State highway safety agency which shall have adequate powers and be suitably equipped and organized to carry out, to the satisfaction of the Secretary, such program;” (23 USC, Chapter 4, §402, (b) (1) (A)) **Finding**

Obtain a copy of the current organizational chart of the SHSO. This chart should show the placement of the SHSO relative to other State agencies, and show the organizational units in the SHSO (e.g., planning/evaluation unit, financial management, program operations, etc.) and the names of the individuals currently filling these positions. The State should be asked where it is placed organizationally relative to other State agencies. **MC**

C. Staffing

- 1.* Identify the name and official title of the Governor's representative and his/her placement within the State government hierarchy. **MC**
- 2.* Identify the name and title of the full-time SHSO Director (if other than Governor's Representative) and determine if he/she has direct access to the GR. **MC**
- 3.* Determine if the SHSO staffing plan addresses basic planning, program management, financial management and other technical area functions consistent with the management of a statewide program. **MC**

- a.* Are SHSO staffing level and functional responsibilities adequate to meet due dates with complete and accurate products? **MC**
- b.* Is there a coordinator for each major program area? **MC**
- 4. How are projects assigned to program coordinators?
Program area? Geographical area? Other? **MC**
- 5.* Does the SHSO have policies and procedures specific to the federally funded highway safety program addressing areas such as: planning, project development, project preparation and execution, project administration, monitoring, evaluation, financial management, and program closeout? **MC**
 - a. If so, when were they last revised? **MC**
 - b. Is SHSO staff aware of procedures? **MC**
 - c. Is there evidence that the staff is using them? **MC**
 - d. Is there periodic training/orientation to SHSO staff on the procedures? **MC**

D. Delegations of Authority

A system of written delegations of authority and responsibility to carry out the assigned functions of the SHSO is basic to effective management. **MC**

- 1.* Determine if such a system exists, if it is current, and if it provides signatory authority to authenticate official documents (contracts, agreements, certifications of payment, purchase orders, invoices, checks, personnel actions, payroll) **MC**
- 2.* Determine if delegations provide for carrying out the responsibilities and functions of the SHSO on a continuing basis in the absence of top-level management officials. **MC**

E. Personnel Development and Training

- 1. Determine how the SHSO identifies and meets training needs for management and staff. **MC**
- 2. Has appropriate SHSO staff attended NHTSA courses Program and Financial Management, Data Analysis and Evaluation, or equivalent courses or GHSA's Executive Seminar or other GHSA sponsored professional development seminars? **MC**
- 3. Does SHSO staff participate in regional and national highway safety conferences

and forums to obtain state-of-the art technology transfer, such as Lifesavers, GHSA Annual Meeting, National CPS Conference, and Traffic Records Forum? **MC**

4. Evaluate any guidelines for authorization, justification or payment of the training. **MC**
5. Assess the adequacy of training programs to develop subgrantee/project personnel such as: the Highway Safety Project Management Course or similar training? If so, how often and what does the training cover? **MC**
6. Roadblocks to effectiveness.
 - a. Determine if there are organizational issues which limit or impede SHSO effectiveness (travel restrictions, hiring freezes/restrictions, political/legislative pressures or issues, etc.) **MC**
 - b. Determine if NHTSA can assist State in resolving some of these issues. **MC**

II. PROGRAM MANAGEMENT

A. Planning and Programming

1. Determine if SHSO staff has a copy of the latest revision of NHTSA's Hwy. Safety Grants Management Manual or knows where to access it on the Web. **MC**
2. Review SHSO's system for developing and implementing the Performance Plan, HSP and project agreements. Determine whether the Performance Plan, HSP and Annual Report conform to applicable requirements of: 49 CFR §18; 23 CFR Part 1200; and 23 CFR, §1251.4 (e), (f), (h). **Finding**
3. Refer to NHTSA's most recent FY HSP/Performance Plan Review results and HSP approval Letter, the Annual Report Review results, Annual Report Response letter, and any related comments and correspondence.
 - a. Follow up on any comments or weaknesses to determine progress by the State. **MC**
 - b. Were the documents submitted on a timely basis? (23 CFR, §1200.12 and 23 CFR, §1200.33) **Finding**
 - c. Do the planned projects and activities as described in the HSP correspond to goals of the Performance plan, and do the funded projects and activities as

described in the Annual report relate to the planned projects and activities of the HSP? **MC**

- d. Does the state assess program performance through analysis of data relevant to the highway safety planning? (23 CFR, §1251.4 (i)) **Finding**
 - e. Does the SHSO, provide information and assistance to prospective aid recipients on program benefits, procedures for participation and development plans? Does the state encourage and assist local units of government to improve their highway safety planning and administrative efforts? (23 CFR, §1251.4 (c)(d)) **Finding**
 - f. Does the Performance Plan describe the strategies used for project or activity selection (e.g., constituent outreach, public meetings, solicitation of proposals), and list information and data sources consulted. (23 CFR, §1251.4 (c)(d) and 23 CFR, §1200.10 (a) (2)) **Finding**
4. Does the Performance Plan include a brief description of the processes used to identify its highway safety problems and is it based on the evaluation of highway crashes and safety problems within the state? (23 CFR Part 1200.10 (a) (2) and 23 CFR 1251.4 (a)) **Finding**
- a. How are identified problems prioritized and ranked? **MC**
 - Magnitude?
 - Degree of over representation?
 - Impact?
 - Other?
 - b. Is problem ID approach comprehensive? **MC**

Are all aspects of an identified problem addressed? **MC**
 - c. How does State solicit grant applications based on problem ID? **MC**
 - d. When the SHSO and state/local agency agree on a problem, how are activities determined to address the problem? **MC**
 - e. How are previous highway safety activities (such as success/failure of projects, lack of progress, administrative difficulties) considered? **MC**
 - g. How does State grade and evaluate solicited and unsolicited applications?
MC

5. Performance Plan Development
- a. Does the Performance Plan contain a list of objective and measurable highway safety goals, within the National Priority Program Areas and other program areas, based on highway safety problems identified by the State? (23 CFR, §1200.10 (a)(1)) **Finding**
 - b. Is each goal accompanied by at least one performance measure that enables the State to track progress, from a specific baseline, toward meeting the goal (e.g., a goal to “increase safety belt use from XX percent in 191 to YY percent in 201,” using a performance measure of “percent of restrained occupants in front outboard seating positions in passenger motor vehicles”). (23 CFR, §1200.10 (a)(1)(a) (2)) **Finding**
 - c. How are State’s performance goals established? **MC**
 - d. Performance Measures - Beginning in FY10, did the State set goals for and report progress on each of the NHTSA/GHSA agreed upon core outcome and behavior measures in the HSP and Annual Report. Also beginning with both FY10 documents, did the State report on the NHTSA/GHSA activity measures. (“Traffic Safety Performance Measures for States and Federal Agencies”, Aug 2008) **MC**
 - e. Did the State use the NHTSA/GHSA questions that track driver attitudes and awareness concerning impaired driving, seat belt use, and speeding issues in surveys to be conducted starting in FY10 and report findings beginning in the FY11 HSP? **MC**
 - f. Did the State use the NHTSA/GHSA questions that track driver attitudes and awareness concerning impaired driving, seat belt use, and speeding issues in surveys to be conducted during FY10 and report findings beginning in the FY11 HSP? **MC**
 - g. Does the Performance Plan identify the participants in the processes (e.g. highway safety committees and constituent groups)? (23 CFR, §1200.10 (a)(2)) **Finding**
 - h. Are partners outside SHSO involved? **MC**
 - i. Are goals shared with potential subgrantees? **MC**
6. Determine how State’s planning and programming process works. **MC**
- a. Determine whether the SHSO has established and adhered to a time-framed schedule for major events in the planning and programming process: **MC**

- 1) Problem Identification
- 2) Setting of statewide goals
- 3) Development of Performance Plan
- 4) Solicitation of grant applications
- 5) Receipt of solicited and non-solicited grant applications
- 6) Review grant applications
- 7) Evaluate and grade grant applications
- 8) Approve grant applications
- 9) Highway Safety Plan preparation
- 10) HSP/Performance Plan submitted to NHTSA
- 11) Highway safety funds awarded to SHSO
- 12) Grants awarded to subgrantees
- 13) SHSO obligates funds to GTS
- 14) Project monitoring
- 15) HSP closeout
- 16) Submission of Annual Report

7. Legislation

- a. Is legislation needed to maximize program impact? **MC, if process weakness is identified such as in potential for additional funding.**
- b. What is the role of the GR and SHSO in respect to highway safety legislation? **MC, if process weakness is identified such as in the staffing/leadership/coalition building areas.**
 - What are they allowed to do? **MC**
 - What are they prohibited from doing (example: lobbying, out-of- state

travel)? (Highway Safety Grant Funding Policy for Field- Administrated Grants, III. E. 2.) **Finding**

B. Implementation

1. Identify the individual(s) on the staff that conduct final negotiations concerning project agreements. **MC**
- 2.* Determine whether the SHSO has guidance which provides written requirements and procedures to subgrantees for preparation, implementation, administration and evaluation of grant projects to address the following items:
 - a. Content of Project Agreement: **MC**
 - Project description, including problem statement **MC**
 - Project objectives and milestones **MC**
 - Measurable performance standards **MC**
 - Project revision parameters **MC**
 - Required and appropriate training, such as STEP officers required to receive training on special skills: DWI - SFST; OP - TOPS and Operation Kids; Speed – RADAR **MC**
 - PI&E materials and incentive-type items - if federally funded, does State require distribution plans **MC**
 - SHSO monitoring procedures **MC**
 - Periodic/final reporting requirements **MC**
 - Other "boiler plate" requirements (e.g., records retention, property accountability (procurement, inventory, use, disposal), civil rights compliance, termination and revision provisions, rights of the Federal agency under copyright provisions and OMB Circular A-133 audit, if applicable, etc.) (49 CFR, §18.37) **Finding**
 - b. Financial requirements (49 CFR 18.20 Standards for Financial Management Systems & 2 CFR §225, Appendix A General Principles for Determining Allowable Costs) **Finding**

- Determine if the HSO has a process to determine if fiscal control and accounting procedures of subgrantees and cost-type contractors are sufficient to (1) Permit preparation of reports required by this part and the statutes authorizing the grant and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. (49CFR 18.20 (a) (1) (2). **Finding**
 - Period for incurring costs and Expiration of Right to Incur Costs (49CFR 18.23 (a) & (23 CFR Part 1200.30) **Finding**
 - Eligibility of costs (Hwy. Safety Grant Funding Policy and 2 CFR §225, Appendix A & B) **Finding**
 - Are claimed costs adequately documented? (2 CFR §225, Appendix A. C. 1 (j) **Finding**
(such as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents)
- c. Evaluation/Reporting requirements
- Quarterly Reports **MC**
 - Final Report **MC**
 - Evaluation Report **MC**
3. If State does not have adequate written procedures and requirements, determine the State's plan, if any, for development of such procedures. **MC**
 4. Determine if the state has established procedures for project implementation, including: **MC**
 - a. Project implementation schedule **MC**
 - b. Commitment of obligated funds to approved projects **MC**
 - c. Pre-award/orientation sessions with project personnel **MC**
 5. Determine whether SHSO negotiation process and/or pre-award conference with subgrantees address the key project elements identified in B.2. above. **MC**
 6. When does state begin awarding grants/contracts? **MC**

- a. Before or after NHTSA approves HSP? **MC**
- b. Before or after NHTSA awards funds to state? **MC**
- 7. Can the grant approval/delivery process be streamlined to reduce paperwork by:
 - a. Electronic submission of subgrant proposals, performance reports, and financial claims/documents? **MC**
 - b. Using a master grant/agreement for one grantee rather than issuing several grants to the same grantee? **MC**

C. Monitoring and Review

- 1. Assess compliance with relevant Federal and State directives pertaining to monitoring and oversight of grant programs (49 CFR §18.40 and 23 CFR §1251.4 (f)) **Finding**
- 2.* Identify the individual(s) and title(s) in the SHSO responsible for project/program monitoring and review. **MC**
- 3. Determine how responsibilities for monitoring and review are assigned (e.g., geographically, program area, fiscal and audit expertise, identified skills) **MC**
- 4. Determine the relationship between SHSO individuals responsible for program monitoring/review and those responsible for planning implementation **MC**
 - a. Is there a separation of duties and responsibilities? **MC**
 - b. Is there a possible conflict of interest that may preclude objectivity? **MC**
- 5. What factors are used in determining projects to be monitored on-site (e.g., priority programs, dollar amounts, large equipment purchases, complex projects, geographic, risk analysis, etc.) **MC**
- 6.* Determine the SHSO's policy regarding frequency of on-site project monitoring. **MC**
 - a. Is the monitoring schedule adhered to by staff? **MC**
- 7. Determine if there is a system for preparation and filing of monitoring reports and follow-up of any stated findings and recommendations. **MC**
- 8. Determine how the SHSO uses project monitoring to improve/enhance its

program management process. (e.g., identify weaknesses in project/program planning, implementation, vouchering and reporting, making adjustments to the HSP planning, review and approval processes). **MC**

9. Determine if the State has an effective method of suspending or terminating work and recovering funds on state-managed projects and subgrants identified as problematic.
 - a. Have they ever had to use it? **MC**
 - b. Is the process effective? **MC**
 - c. How were funds recovered? **MC**
10. Determine if the State monitors subgrantees' progress in achieving goals, objectives, and performance indicators. **MC**
11. Determine if the SHSO seeks out innovative and state-of-the art programs/projects to implement and showcase. **MC**

D. Program Strengths

Identify notable strengths of state's highway safety program (i.e., best practices, safety conscious planning efforts, significant improvements or achievements in meeting project/program objectives) and recognize such strengths in MR Report.
Commendation

III. FINANCIAL MANAGEMENT

A. Financial Management Systems

1. Determine if the State's fiscal control and accounting procedures for expending and accounting for grant funds are sufficient to (1) Permit preparation of reports required by this part and the statutes authorizing the grant and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. (49CFR 18.20 (a) (1) (2). **Finding**
2. Does program management staff have financial responsibilities and what are they?. **MC**
 - a. What financial management training have they completed? **MC**
3. Does the financial staff also have program area responsibilities and what are they? **MC**

- a. What financial management training have they completed? **MC**
- 4. Determine if there are adequate separation of duties to provide for reasonable internal control over financial management functions and activities. **MC**

B. Grant Payments-Vouchers

- 1. Determine if the SHSO is submitting GTS vouchers to NHTSA in accordance with payment/vouchering requirements. (23 CFR, §1200.23). **Finding**

- a. Local benefit expenditure entries by Mar 31, and with final voucher (23 CFR §1200.23 (a) (3)) **Finding**

Note: The 40% minimum need not be met by Mar. 31, but whatever local benefit simply be reported by that date. If the percentage appears to be significantly low, the Region may want to do further research to determine the cause, whether slow vouchering by locals or insufficient number/dollar amount of local subgrants, which could result in a **MC**.

- b. For each 12 month period reviewed, are vouchers submitted on a quarterly basis, in the current FY or prior FY, no later than 15 working days after the end of each quarter or where a State receives funds electronic transfer at an annualized rate of one million dollars or more are vouchers submitted on a monthly basis, no later than 15 working days after the end of each month? (23 CFR §1200.23 (b)) **Finding**

- 2. Absent findings from the first/last voucher reviews, randomly select **one GTS voucher per fiscal year submitted during the three FYs of MR period** and trace the information through the accounting records back to the individual subgrantee project claims to determine the following (The MR Report must note the vouchers reviewed, the periods covered, dollar amount of each voucher, the total vouchered by the State in the FY, the percentage of funds expended for each voucher reviewed to the total expended in the FY, and the results of the voucher review indicating whether or not the vouchers reconciled with the source documentation):

- a. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. (49CFR 18.20 (a) (2))
- b. Is there evidence that project claims, invoices, and other documentation submitted by subgrantees have been reviewed and approved for payment before funds are drawn down through GTS? 49 CFR §18.20 **Finding**
- c. Do the amounts claimed for each project on the GTS vouchers agree with the

amounts claimed by the subgrantees during the same period? (49 CFR §18.20 (a) (2). **Finding**

- d. Is the amount of Federal reimbursement to the SHSO the same as the amount on the GTS voucher, or has an adjustment been made? (49 CFR §18.20 (a) (2). **Finding**
 - If adjusted, determine why? **MC or Finding**
- e. Does the amount of Federal funds vouchered against GTS reconcile with receipts and/or deposits in the State's accounting system? (49 CFR, §18.20 (a) (2). **Finding**
- f. Has the State minimized the time elapsing between the transfer of funds and disbursement by the grantee or sub grantee. (49 CFR §Part 18.21(b)) **MC**. If material, cover under Financial Management System as a **Finding**.
- g. Program Income - Determine if the highway safety program is generating any program income and ensure it is being handled appropriately. (23 CFR §1200.24) **Finding**

3.* HSP Funding Considerations

- a. Are Federal funds obligated to the HSP using HS Form 217 or its electronic equivalent replacement within 30 days of the grant award? **MC**
- b. Are obligated Federal funds committed to projects within a reasonable time after said obligation? **MC**
- c. What are the extent of and/or reason for HSP revisions during the fiscal year? **MC**
- d. Prior to the on-site, use Appendix B of the MR Report Template to conduct an analysis of the Federal funds for the previous two fiscal years to determine the amount of funds carried forward to the next FY? Original Approved Plan vs Total Obligation vs Total Expenditures. Appendix B provides a macro picture of liquidation performance by grant program. If relevant, the review will identify major unexpended balances for specific grant programs. There are many reasons for large unspent and carry forward amounts. A major reason is the receipt of certain grant program funds late in the award fiscal year. This effect is neutralized by the time the subsequent year ends. Another common cause is the delayed commitment of obligated funds to projects or sub-grantees. The MR should include identification of impediments and opportunities for the timely expenditure of highway safety funds, referring to MR elements located elsewhere in this document. **MC**

Note: Sections 154HE and 164HE funds should be considered in the analysis. However if the funds are managed and expended by an agency other than the HSO, care must be taken in determining the GR's role in reducing large carryforward amounts. A MC would focus on leadership, dialogue with the State DOT, and the HSO's role in vouchering of the funds through GTS.

C. Audits

1. Review last State audit report for findings related to the HSO and resolutions. If unresolved audit findings, determine that appropriate action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations. (49 CFR §18.26 (b) (3)) **Finding**
2. Determine whether the SHSO has a process to annually review A-133 and A-110 audit reports to determine if there are negative findings relating to federally funded activities, and that any such findings are addressed and resolved within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations. (49 CFR §18.26 (b) (3), OMB Circular A-133, Subpart C. §315, and OMB Circular A-110, subpart B, §26) **Finding**
3. Does the SHSO use the Federal Audit Clearinghouse website? <http://harvester.census.gov/sac/> **MC**

D. Matching Funds

Determine if the SHSO has adequate documentation to demonstrate compliance with State Matching Rates: (See Hwy. Safety Grant Funding Policy, Part I, B, and Appendix A, NHTSA Order 462-6C for matching requirements). Below are SAFETEA-LU rates. See Hwy. Safety Grant Funding Policy for TEA-21 rates. **Finding**

402 Program - Minimum 20% (or applicable Sliding Scale rate) of total 402 program (i.e. Federal 402 funds + state funds) (No match required for BIA) **Finding**

405 (OP) - Minimum
25% - Yr 1* & 2*; 50% - Yr 3 & 4; 75% - Yr 5 & beyond. *Beginning in FY04 for States awarded FY04 and FY05 TEA-21 405 funds. States not awarded 405 funds in FY04 and FY05 begin at 25% **Finding**

408 (Data) - Minimum 20% of total program costs (i.e. Federal funds + state/local funds) (No match for BIA) **Finding**

410 (Alcohol) – Minimum (i.e. Federal funds + state funds)
25% - Yr 1 & 2; 50% - Yr 3 & 4; 75% - Yr 5 & beyond **Finding**

1906 (Racial Profiling) - Minimum 20% of total program costs (i.e. Federal funds + state/local funds) **Finding**

2011 (CPS/Booster Seats) – Minimum 25% Yrs. 1-3; 50% Yr 4 & beyond. (i.e. Federal funds + state funds). Child Safety Seat purchases limited to 50% of award. **Finding**

No Match requirements for **406, 2010, 154, and 164**

E. 40% Local Benefit

Trace funds expended by or for the benefit of political subdivisions of the State to verify documentation of the 40% local benefit requirement. Once the 40% has been confirmed no additional review is required. (Hwy. Safety Grant Funding Policy, Part I, C, and Appendix A, and 23 CFR §1250) **Finding**

1. Confirm State's documentation of "Local Benefit" to determine if local governmental entities had an active voice in the development of the highway safety program. (23 CFR §1250.3 (c) and §1250.4) **Finding**

2. Local Benefit applies to 157 & 163 Incentive funds if they are used as 402 funds, and 154 & 164 funds if used for alcohol (not hazard elimination). (Note: BIA local benefit is 95%) (Hwy. Safety Grant Funding Policy: I.C; Appendix A; Section 163 Guidance; and Section 154/164 Guidance) **Finding**

F. Planning and Administration (Sections 402, 406, 410, 154, and 164)

Verify that all P&A expenditures are consistent with sound management practices:

1. Verify documentation used by SHSO to support P&A minimum 50% match (or applicable Sliding Scale rate) requirement for Sections 402 and 410. (Hwy. Safety Grant Funding Policy I. A. and 23 CFR § 1252.2) **Finding**

2. Determine if the State is using direct or indirect costs as match. If indirect, see III. K. (23 CFR § 1252.2)

3. Verify that salaries and other costs are being charged correctly to P&A. (Hwy. Safety Grant Funding Policy I. A.) **Finding**

4. Review time sheets to make sure the allocation of time is correct. (For example, financial manager should be charged to P&A.) (Hwy. Safety Grant Funding Policy I. A. and 23 CFR § 1252.5) **Finding**

5. Verify that P&A documentation includes:

a. Certifications required if employee works solely in one grant funded P&A;

- b. Accurate time records for actual time worked, such as personnel activity reports (PAR) or equivalent documentation if the employee works in: multiple grant funded (402, 406, 410, 154, 164) P&As or; P&A(s) and Section 402 funded Program Management or other grant program(s) funded Program Management. (23 CFR § 1252.2 (d); 23 CFR § 1252.5; 2 CFR §225, Appendix B, 8.h.; and NHTSA's Guidance on Timekeeping in Support of Salaries, Wages and Related Costs, 8/5/2010rev)

Finding

G. Program Management Costs

Verify Program Management documentation includes: certifications if employee works solely in a single program area; or personnel activity reports (PAR) or equivalent documentation if employee works in multiple program areas and/or grant programs. (2 CFR §225, Appendix B, 8.h.) ***Finding***

An exception to the PAR requirement is made for individuals who work multiple program areas but whose time and salary are charged 100% to Section 402. In these cases, cost data assigned to the different program areas may be based on an informed, logical proportion derived from a representative sample of time spent on each program area or on the number of projects managed or proportion of total funds in each program area. This before-the-fact distribution should be submitted to the Regional Administrator each FY in the HSP or separate document and checked by the HSO periodically for accuracy. (NHTSA Guidance on Timekeeping in Support of Salaries, Wages and Related Costs, 8/5/2010rev.)

Note: The requirements of 2 CFR 2 CFR §225, Appendix B, 8.h. also apply to subgrantees.

H. Time and Attendance

Ascertain whether basic time and attendance records are approved by the supervisor or timekeeper and whether attendance of salaried employees is accurately recorded. (Federally funded or State match) ***MC unless related to a State law, regulation, rule, policy, or guideline, in which case would be a Finding.***

I. Project Equipment

1. Verify that State has a system for tracking, managing, and disposing of equipment acquired under a highway safety grant by the State in accordance with State laws and procedures. (49 CFR, §18.32 and 23 CFR, §1200.21) ***Finding***
2. The HSO will follow the State's inventory requirements in tracking HSO and subgrantee equipment purchased with Federal highway funds. Example: If the State has a \$500 equipment purchase minimum threshold for inventory, then

expectation is that Federally funded equipment will be tracked to that level. (49 CFR, §18.32 (b))

3. Determine whether appropriate NHTSA approvals have been requested and received by the SHSO regarding acquisition and disposal of major equipment (acquisition cost of \$5,000 and above) acquired under a highway safety grant. (23 CFR, §1200.21) **Finding.**
4. Verify that State/subgrantees are complying with applicable written State procurement laws, regulations, rules, policy, or guidelines related to the acquisition of equipment. (49 CFR, §18.36) **Finding**

J. Contracts/Professional Service Agreements

1. Determine whether SHSO has an established process to ensure that State procurement laws, regulations, rules, policy, or guidelines are followed regarding contracts and/or professional service agreements. (49 CFR, §18.36) **Finding**
2. Determine whether the SHSO has established procedures to ensure that grantees and sub-grantees will use their own procurement procedures that reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards in (49 CFR, §18.36 (b))? **Finding**
3. If so, verify that State/subgrantees are following the established process to ensure compliance with applicable State/local procurement procedures regarding contracts and/or personal service agreements. (49 CFR, §18.36) **Finding**

K. Indirect Costs

If the SHSO is claiming Federal funds for its own indirect costs or is reimbursing subgrantees (State or local governmental agency or non-profit organization) for indirect costs, determine if the SHSO has appropriate evidence as noted in items 1 – 3, below. (2 CFR, §225, Appendix E. Sections C, D, and E. 3.; OMB Circular A-122, Attachment A, Section E. 2. g.; and ASMB C-10 – “A Guide for State, Local and Indian Tribal Governments -- Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government -- Implementation Guide for Office of Management and Budget Circular A-87”) **Finding**

For additional explanation and scenarios, see GHSA/NHTSA Indirect Rate Cost Plan Q&A rev 7/23/2010.

1. All cognizant agency negotiated and approved indirect cost rate plans will have an approval letter from the Federal cognizant agency that can be produced upon request. (2 CFR, §225, Appendix E. Section E.) **Finding**

2. All sub-recipients (State, local, or non-profit) that have no approved cognizant agency indirect cost rate plans that wish to claim indirect costs (other than an interagency standard rate for State sub recipients as noted in #3), and only receive funds as a sub-recipient, must prepare and retain an indirect cost rate plan that is negotiated and/or monitored with the primary recipient (State). (2 CFR, §225, Appendix Sections D. 1. b.) - **Finding**
3. Interagency Services - State agency subgrantees may be authorized by the HSO to receive a 10% standard indirect cost allowance of the direct salary and wage cost excluding overtime, shift premiums, and fringe benefits) in lieu of determining the actual indirect costs of the service. Documentation must be reviewed to confirm that the rate is being applied appropriately to only the allowable costs. (2 CFR, §225, Appendix A, G and GHSA/NHTSA Indirect Rate Cost Plan Q&A rev 7/23/2010) **Finding**

It is recommended that any authorized interagency services be itemized in the subgrant agreement. **MC**

Note: In FY10 NHTSA became aware that some States were incorrectly applying the 10% indirect cost allowance to subgrantees other than State agencies. GHSA and NHTSA joined in efforts to inform Regions and States to ensure this practice is stopped. Violations prior to FY10 will be noted as Findings but required actions will not include recovery of funds for any unallowable costs. However, if a State continues to extend the standard 10% rate reserved for interagency agreements to local sub-grantees in FY 2010 and beyond, a required action may include a readjustment of the rate and a recovery of funds. Remedy options for FY2010-only may include retroactively making the project whole (including cost adjustments) to the beginning of FY10 by the immediate establishment (negotiate/monitor) of an indirect cost rate between the State and the sub-recipient or the approval of a plan between the cognizant agency and the sub-recipient, if appropriate. (GHSA/NHTSA Indirect Rate Cost Plan Q&A rev 7/23/2010)

*The “look forward” agreement is limited to this specific standard 10% or lower rate issue. If a State is paying a subgrantee for indirect costs for some percentage **above 10%** and lacks a Federal cognizant agency approved rate or when appropriate, a rate that the State has negotiated and monitored, a Finding would cited. And an appropriate required action for the entire amount e.g. 13% would be applied, regardless of the date of the violation – even if a pre-FY10 project was involved. (GHSA/NHTSA Indirect Rate Cost Plan Q&A rev 7/23/2010.)*

IV. PROJECT FILE REVIEW

Background: Nonstatistical Sampling

Arbitrary Selection - In this method, the reviewer selects the sample items without intentional bias to include or exclude certain items in the population. It represents the reviewer's best estimate of a representative sample -- and may, in fact, be representative. Defined probability concepts are not employed. As a result, such a sample may not be used for statistical inferences. Arbitrary selection is permitted for nonstatistical samples when the reviewer believes it produces a fairly representative sample.

Judgment Selection - Judgment sample selection is based on the reviewer's sound and seasoned judgment. Three basic issues determine which items are selected:

1. Value of items. A sufficient number of extensively worked or older accounts should be included to provide adequate audit coverage.
2. Relative risk. Items prone to error due to their nature or age should be given special attention.
3. Representativeness. Besides value and risk considerations, the reviewer should be satisfied that the sample provides breadth and coverage over all types of items in the population.

Project File Review Process

Project files reviewed by NHTSA during the FY, prior to the MR on-site, should be included in MR process.

- A. Select projects based on the Project File Review Non-statistical procedures described under the background section **above**, and as noted in the MR Guidelines and on-site time constraints. For those projects selected, examine all items included in the Project File Review Checklist.
- B. The projects reviewed shall include representation from each of the three FYs of the MR. Care should be taken in scheduling the MR on-site to allow for current FY projects to have expended funds.
- C. The projects reviewed shall include representation from each of the various NHTSA program areas and grant programs in which significant amounts of funds were expended during the MR period.

- D. If recurring problems are identified, review should be expanded as appropriate to determine overall scope and impact of problem.
- E. Summarize major issues identified during the Project File Review(s) pertaining to the project file review checklist form.
- F. If there is a compliance finding, additional files will be examined to see if the problem is isolated or widespread. If the problem is found to be isolated (and not material), the MR should exclude the finding in the MR report. If the problem, even if isolated, involves unallowable or ineligible use of federal funds, the problem should be noted in the MR Report.

V. ENFORCEMENT ACTION FOR NON-COMPLIANCE

If during the review areas of non-compliance are noted, remedies for noncompliance will be accordance with 49 CFR §18.43 &18.12.